

1989

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 90-316-W - ORDER NO. 91-416 ✓
MAY 16, 1991

IN RE: Application of AAA Utilities, Inc. -)
Requesting Approval of the Transfer of) ORDER ON
Perry Water System, Saluda County to) REHEARING
AAA Utilities, Inc. and for Approval)
of Rates and Charges)

This matter comes before the Public Service Commission of South Carolina (the Commission) pursuant to the Commission's grant of the Consumer Advocate's Petition for Rehearing and Reconsideration of Order No. 90-1011, issued in the instant docket. The Consumer Advocate had requested a rehearing on two issues in the instant docket. The Commission reheard the issues of the cost to upgrade the system and the proper charge for the proposed reconnection fee.

Pursuant to the Commission's granting of the Consumer Advocate's Petition, by Order No. 90-1201, the Commission held a hearing on April 16, 1991 at 11:00 a.m., in the Commission's Hearing Room, the Honorable Marjorie Amos-Frazier, presiding. The Applicant, AAA Utilities, Inc., appeared without counsel; Carl F. McIntosh, Esquire, represented the Consumer Advocate; and Marsha A. Ward, General Counsel, represented the Commission Staff. Mr. J. E. Swearingen, President, AAA Utilities, Inc. and Gerald Lonon,

Professional Engineer, testified on behalf of AAA Utilities, Inc. Ms. Anita Todd, a resident of the Perry Subdivision, testified to the potential rate increase to \$25 per month. Based on the testimony, exhibits and information in the Application, the Commission makes the following findings of fact:

1. That Hearing Exhibit No. 2, which was a cost estimate prepared by Mr. Lonon, an engineer with Pace Engineering Consultants, Inc., detailed on a line item basis the total cost to make the necessary upgrades to the Perry System. According to the cost estimate prepared by Mr. Lonon, the total cost to make the upgrades at the Perry System is \$44,650. This cost estimate is based on preliminary estimates of the South Carolina Department of Health and Environmental Control (DHEC) requirements, materials, and labor.

2. Mr. Lonon used contracted-for prices to determine the cost per unit for materials and supplies. This is a standard procedure used in preparing cost estimates.

3. Mr. Lonon also looked at private system costs for similar systems and made certain cost saving estimates where possible.

4. The Consumer Advocate had alleged in its Petition for Rehearing and Reconsideration that the Commission erred in finding that the cost to upgrade the system was at least \$35,000. The Consumer Advocate alleged that the Commission failed to set forth adequate findings in that regard that there was no substantive evidence to support such a conclusion.

5. The engineering testimony of Mr. Lonon provides the Commission with the evidence to support its previous determination that the cost to upgrade the system would be at least \$35,000.

6. Additionally, Mr. Swearingen testified that he would begin making the repairs as soon as possible. However, he did hope to have some additional time given to him by DHEC to make the repairs to the Perry System. By charging the \$25 rate approved in Order No. 90-1011, Mr. Swearingen maintained that he would be able to collect enough money over an approximate five year period of time to make the necessary improvements.

7. Mr. Swearingen stated that he would make these repairs over a period of time as he accumulated the funds.

8. Mr. Swearingen agreed to maintain the money collected from the Perry System in a separate account.

9. While the Commission received testimony from the customers concerning the amount of the increase, the Commission had already approved the increase in Order No. 90-1011 and was hearing evidence in this matter on the amount of expenditures necessary to upgrade the system to support the rate and on the reconnect issue.

10. As to the reconnection fee, the Company's stated purpose for charging a \$150 reconnection fee is because the system is flat rated and unless the rates or policy of the Company considers the fact that the \$25 monthly fee is necessary from all customers to make the repairs, the Company would not be able to recover its expenses. The reconnect fee is to discourage part-time residents

from abandoning the system on a temporary basis when the Company's facilities are available and ready for use the entire year.

11. The Commission recognizes that the cost to disconnect a customer, according to witness Swearingen is \$75. However, a policy of maintaining a viable water provider through the maintenance of a stable income to the utility and to apportion of the cost of maintaining the water system among all those who benefit from its continued existence outweighs the matching of the cost of reconnection to the amount of the fee.

12. At the conclusion of the proceeding, the Consumer Advocate made a Motion that if the Commission does allow the rate increase, then money collected from the new rate over and above the Company's operating and maintenance expenses of the Perry System be placed in an escrow account so that the use of these funds can be monitored.

Based upon the Commission's findings of fact herein, the Commission makes the following conclusions of law:

1. That the cost to upgrade the system has been supported by substantial evidence to be \$44,650 and that the \$25 rate increase previously approved in Order No. 90-1011 is now supported by the substantial evidence.

2. That the Company's reconnect fee should be \$150 based on the Commission's policy to discourage part-time use of the system for the benefit of all the ratepayers and the continued viability of the Company. Furthermore, the Company is encouraged to meter the system as soon as possible so that a basic facility charged

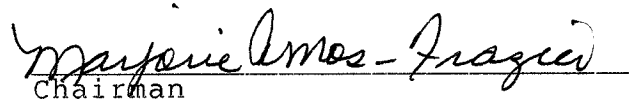
could be assessed.

3. That Commission has determined that the Consumer Advocate's Motion concerning the escrowing of any funds collected through this approved rate should be granted. The Company is entitled to use enough funds to cover the O&M expenses incurred by the Company in the operation of the Perry System. All funds other than O&M expenses collected from the Perry customers should be placed into escrow in a separate bank account. Any funds escrowed should include accrued interest and should be accounted for in a deferred account. The funds contained in the escrow account are to be used only to finance system expansions and modifications to the Perry System as required by DHEC. The Company will furnish evidence of any DHEC required repairs, upgrades or modifications. The Company is required to make quarterly reports to the Commission regarding expenditures from this account. The quarterly reports will be due 60 days after the close of the preceding three months. The first report, however, will cover four months, June, July, August, and September. It will be due December 1, 1991. All subsequent reports will cover quarterly activity. Furthermore, the Commission's Staff will monitor the Company's expenditures from this account and monitor the status of

the repairs and upgrades to the system on a quarterly basis to ensure that the Company is complying with the Commission's directives herein.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)